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KARL MORELL



August 31, 2007

220189

BY HAND DELIVERY

The Honorable Vernon Williams
Secretary
Surface Transportation Board
395 E Street S.W.
Washington, DC 20423-0001

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Office of Proceedings

AUG 31 2007

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Public Record

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AUG 31 2007

SURFACE
TRANSPORTATION BOARD

Re STB Finance Docket No. 35072, Austin Western Railroad, Inc. --
Operation Exemption – Capital Metropolitan Transportation
Authority

Dear Secretary Williams:

Attached for filing are the original and ten copies of a Verified Notice of Exemption under 49 C.F.R. § 1150.31 and a check covering the \$1,600 filing fee. Also enclosed is a 3.5-inch diskette containing the Notice and Summary.

Please time and date stamp the extra copy of the Notice of Exemption and return it with our messenger.

If you have any questions, please contact me.

Sincerely yours,

Karl Morell

Enclosures

FEE RECEIVED

SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO 35072

AUSTIN WESTERN RAILROAD, INC.
--OPERATION EXEMPTION--
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.31, Et Seq.

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KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Attorney for:
AUSTIN WESTERN RAILROAD, INC.

Dated: August 31, 2007

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35072

AUSTIN WESTERN RAILROAD, INC.
--OPERATION EXEMPTION--
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.31, Et Seq.

Austin Western Railroad, Inc. ("AWRR"), a non-carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart D--Exempt Transactions, to permit AWRR to operate certain rail lines owned by the Capital Metropolitan Transportation Authority ("CMTA") in Texas

In support of this Notice of Exemption, AWRR submits the following information as required by 49 C.F.R. § 1150.33:

(a) Full name and address of applicant:

Austin Western Railroad, Inc.
10801 North MoPac Expressway
Building 1, Suite 130
Austin, TX 78759

(b) Applicant's Representative:

**Karl Morell
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005
(202) 638-3307**

(c) Statement of Agreement.

An agreement has been entered into whereby AWRR will become the exclusive freight operator on the CMTA-owned rail lines and Veolia Transportation Services, Inc. ("Veolia") will use a portion of the CMTA-owned rail lines in order to provide commuter rail operations.

(d) The operator of the property

AWRR will be the freight operator on the rail lines and Veolia will be the commuter rail operator on a portion of the rail lines. Because Veolia will not be providing, and will not have the ability to provide, freight service to customers, and because the Board does not have licensing jurisdiction over the commuter operations to be provided by Veolia [49 U.S.C. § 10501(c)(2)], Veolia is not seeking authority from the Board

(e) Summary of proposed transaction:

(1) The name and address of the company owning the subject property:

**Capital Metropolitan Transportation Authority
2910 East 5th Street
Austin, Texas 78702**

(2) The involved transaction is expected to be consummated on October 1, 2007.

(3) The rail lines that AWRR will operate are located. (1) between Milepost 0.0, west of Giddings, TX, and Milepost 56.4, near Austin, TX; (2) between Milepost 56.4, near Austin, TX, and Milepost 154.1, near Llano, TX; and (3) between Milepost 0.0, near Fairland, TX and Milepost 6.5, near Marble Falls, TX. AWRR will also operate over the Scobee Spur (3.3 miles) and the Burnett Spur (0.93 miles). CMTA's acquisition of the lines was exempted in STB Finance Docket No. 33596, *Capital Metropolitan Transportation Authority – Acquisition Exemption – City of Austin, TX* (not printed), served May 27, 1998, and CMTA continues to have a residual common carrier obligation with respect to the lines.

(4) The length of the rail lines over which AWRR will operate is approximately 164.83 miles, including the Scobee and Burnett Spurs.

(f) A map of the CMTA rail lines over which AWRR will operate is attached as Exhibit A.

(g) AWRR hereby certifies that AWRR's projected revenues as a result of this transaction will not result in AWRR becoming a Class II or Class I rail carrier. AWRR further certifies that the projected annual revenue of AWRR will exceed \$5 million. Consequently, AWRR has complied with the notice requirements of 49 C.F.R. § 1150.32(e), and certified its compliance to the Board on July 31, 2007. A copy of AWRR's letter is attached as Exhibit B.

A caption summary, as required by 49 C.F.R. § 1150.34, is attached.

ENVIRONMENTAL AND HISTORIC IMPACTS

AWRR will be the rail freight operator over the CMTA rail lines. Further Board approval is required for AWRR to discontinue and CMTA to abandon any service and there are

no plans to dispose of or alter properties subject to Board jurisdiction that are 50 years old or older. Hence, this Notice of Exemption does not require an historic report under 49 C.F.R. § 1105.8(b)(1).

AWRR's operation of the rail lines will not result in significant changes in carrier operations. There will not be a diversion of: (1) more than 1,000 rail carloads a year to motor carriage; or (2) an average of 50 carloads per mile per year for any part of this line to motor carriage. This transaction will not result in: (1) an increase in rail traffic of at least 100 percent or an increase of at least eight trains a day on any segment of the line; (2) an increase of rail yard activity of at least 100 percent; or (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day. AWRR's operation of the rail lines will not affect a Class I or nonattainment area under the Clean Air Act. In any event, the thresholds of 49 C.F.R. § 1105.7(e)(5)(ii) will not be exceeded. Finally, the transportation of ozone depleting materials is not contemplated. Therefore, no environmental documentation is required under 49 C.F.R. § 1105.6(c)(2).

This action will not significantly affect either the quality of the human environment or energy conservation.

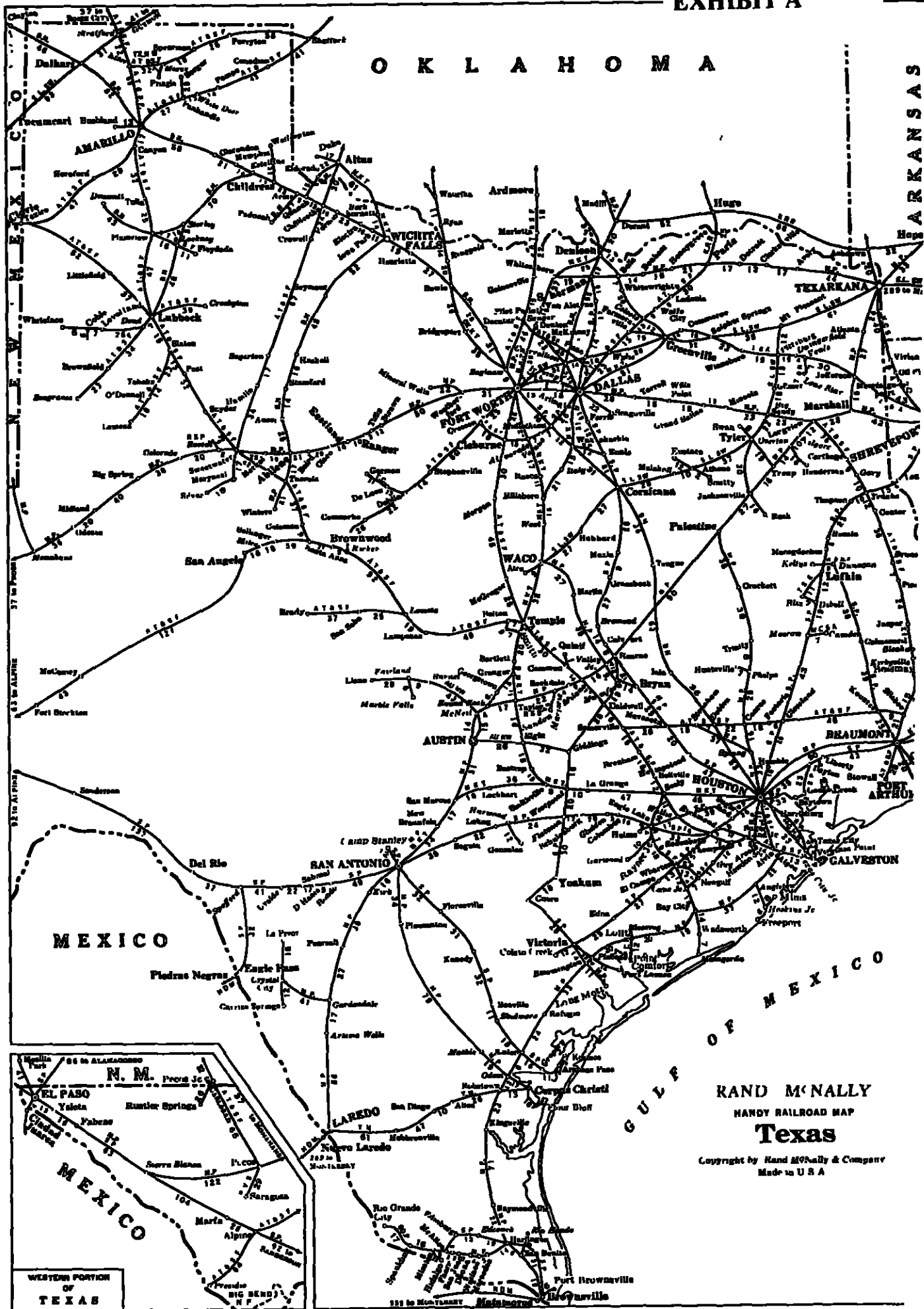
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Karl Morell", written over a horizontal line.

KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005
(202) 638-3307

Attorney for:
AUSTIN WESTERN RAILROAD, INC.

Dated: August 31, 2007



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ATTORNEYS

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KARL MORELL



July 31, 2007

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street S W
Washington, DC 20423-0001

Re Finance Docket No 35072, Austin Western Railroad, Inc – Operation
Exemption - Capital Metropolitan Transportation Authority

Dear Secretary Williams.

Austin Western Railroad ("AWRR"), hereby certifies that on July 30, 2007, AWRR had posted the attached Notice at the workplace of the employees on the rail lines that are the subject of this transaction. None of the employees working on the affected lines is a member of a labor union.

Please time and date stamp the extra copy of this letter and return it with our messenger.

If you have any questions regarding this matter, please contact me

Sincerely,

Karl Morell

Enclosure

NOTICE



Austin Western Railroad, Inc. ("AWRR"), a Texas Corporation, will be operating the freight portion of the railroad for Capital Metropolitan Transportation Authority ("Capital Metro"). The Capital Metro rail lines are located: (1) Giddings Branch, between Milepost 0.0 near Giddings, Texas, and Milepost 56.4, near Austin, Texas, and (2) Llano Branch, between Milepost 56.4, near Austin, Texas, and Milepost 154.1, near Llano, Texas; and (3) Marble Falls Branch, between Milepost 0.0 near Fairland, Texas and Milepost 6.5, near Marble Falls, Texas.

As a result of operating the freight portion of the Capital Metro rail line, AWRR expects to have employment opportunities in the following areas:

Freight Operation:

Approximately 27 positions in the following locations. Austin and Summit Areas. These positions require the following minimum skills and/or qualifications:

General Manager: (Position filled)

1 Position located in Austin, TX. This position requires the following minimum skills and/or qualifications:

- Prefer College degree in Management.
- Must have at least 5 - 10 years of railroading experience in a supervisory and/or managerial role.
- Ability to manage all activities related to operations and development of company products/services.
- Must have the ability to create short and long range plans and budgets based on broad corporate goals and growth objectives.
- Ensure sound operating procedures according to FRA and Corporate Safety rules
- Must ensure that emphasis is placed on a strong Customer Focus.

Conductor:

Approximately 9 positions located in Austin, TX. These positions require the following minimum skills and/or qualifications

- At least 1 year experience as a Conductor/Brakeman.
- Must have Qualifications on the General Code of Operating Rules (GCOR) and have passed a written test in the past 18 months.
- Must have an understanding of air brake and mechanical systems of a train and locomotives, and pass a written test to verify competency.

Engineer:

Approximately 9 positions located in Austin, TX. These positions require the following minimum skills and/or qualifications:

- At least 1 year experience as a Locomotive Engineer.

- Must possess a valid Engineer's certificate issued by a program in compliance with 49 CFR Part 240.
- Must be able to meet all hearing and vision requirements of 49 CFR Part 240.
- Must have an understanding of air brake and mechanical systems of a train and locomotives, and pass a written test to verify competency

Train Masters: (1 Position filled)

Approximately 2 positions located in Austin, TX. These positions require the following minimum skills and/or qualifications

- Supervises and coordinates activities of train crews engaged in switching/RR operations.
- Must possess a high school education or GED, and a minimum of 6 months job-related experience, or equivalent combination of education and experience.
- Must possess a valid Engineer's certificate issued by a program in compliance with 49 CFR Part 240.
- Must be able to meet all hearing and vision requirements of 49 CFR Part 240.
- Must have an understanding of air brake and mechanical systems of a train and locomotives, and pass a written test to verify competency

Clerks:

Approximately 2 positions located in Austin, TX. These positions require the following minimum skills and/or qualifications.

- Involved in day to day record keeping, billing, filing, and typing and general office duties
- Must possess a high school education or GED, and a minimum of 6 months job-related experience; or equivalent combination of education and experience.
- This position will be accountable to all managers within the operation and is responsible for office coordination of activities.
- Other duties as assigned

Locomotive Electrical:

Approximately 1 position located in Austin, TX. This position requires the following minimum skills and/or qualifications:

- Makes repairs and performs scheduled maintenance to both inbound and outbound locomotives
- Must have knowledge of and comply with FRA standards.
- Must possess a high school education or GED, and a minimum of 12 months job-related experience; or equivalent combination of education and experience.
- Prefer background in technical training in Electrical maintenance/repair
- Demonstrated knowledge and ability in using required hand and power tools.

Locomotive Mechanical:

Approximately 1 position located in Austin, TX. This position requires the following minimum skills and/or qualifications:

- Makes repairs and performs scheduled maintenance to both inbound and outbound locomotives.
- Must have knowledge of and comply with FRA standards.

- Must possess a high school education or GED, and a minimum of 12 months job-related experience; or equivalent combination of education and experience.
- Prefer background in technical training in Diesel maintenance/repair.
- Demonstrated knowledge and ability in using required hand and power tools.

Carmen Foreman:

Approximately 1 position located in Austin, TX. This position requires the following minimum skills and/or qualifications:

- Responsible for supervision of rail car inspection and maintenance in accordance with FRA standards
- Familiar with AAR office manual, ability to identify AAR/FRA when present on railcars.
- Must possess a high school education or GED, and a minimum of 12 months job-related experience; or equivalent combination of education and experience.
- Comply with all FRA and Watco safety standards
- Other duties as assigned.

Mechanical (CMO):

Approximately 1 position located in Austin, TX. This position requires the following minimum skills and/or qualifications:

- Directly supervise shop craft employees to safely execute shop operating plan.
- Ensure labor and equipment is positioned to inspect, test and repair equipment to meet the needs of the daily plan
- Must have previous mechanical department or equivalent industry experience.
- Must possess a high school education or GED, and a minimum of 12 months job-related experience; or equivalent combination of education and experience.
- Comply with all FRA and Watco safety standards.
- Other duties as assigned.

The most qualified candidates will be selected from the available pool of applicants without regard to race, creed, color, religion, national origin, sex, age, marital status, disability or veteran status. The selection criteria will be job-related skills and attributes as outlined above.

Successful candidates must have a stable work record and exhibit safe work practices. The ability to work in a team environment with a focus on customer service is critical. Applicants must be able to read and comprehend regulations and instructions in English, as well as possess good oral communication skills. Successful applicants will be required to pass a pre-employment drug and alcohol screen and complete a medical questionnaire. Every employee is an at-will employee. All employees are expected to know and abide by the standard code of Employee Conduct.

**Austin Western Railroad
10801 North MoPac Expressway
Building 1 Suite 130
Austin, TX 787759
620-231-2230**

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

FINANCE DOCKET NO. 35072

AUSTIN WESTERN RAILROAD, INC.

--OPERATION EXEMPTION--

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Austin Western Railroad, Inc. ("AWRR"), a non-carrier, has filed a notice of exemption to operate the rail lines owned by Capital Metropolitan Transportation Authority in Texas. The rail lines that AWRR will operate are located: (1) between Milepost 0.0, west of Giddings, TX, and Milepost 56.4, near Austin, TX, (2) between Milepost 56.4, near Austin, TX, and Milepost 154.1, near Llano, TX; and (3) between Milepost 0.0, near Fairland, TX and Milepost 6.5, near Marble Falls, TX. AWRR will also operate over the Scobee Spur (3.3 miles) and the Burnett Spur (0.93 miles).

This transaction is related to STB Docket No. 35075, Watco Companies, Inc., and Watco Transportation Services, Inc. -- Continuance In Control Exemption -- Austin Western Railroad, Inc., wherein Watco Companies, Inc., and Watco Transportation Services, Inc., have concurrently filed a verified notice to continue in control of AWRR upon AWRR becoming a Class III rail carrier.

Comments must be filed with the Board and served on Karl Morell, Of Counsel, BALL JANIK LLP, Suite 225, 1455 F Street, N.W., Washington, DC 20005, (202) 638-3307.

This notice is filed under 49 C.F.R. 1150.31. If the notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C.

VERIFICATION

STATE OF KANSAS

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ss.

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COUNTY OF CRAWFORD

I, Arthur E. McKechnie III, being duly sworn depose and state that I am Assistant Secretary of Austin Western Railroad, Inc., that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption and know the facts asserted therein are true and accurate as stated to the best of my knowledge, information, and belief.


Arthur E. McKechnie III

SUBSCRIBED AND SWORN TO before me this 17th day of August, 2007, in the County of Crawford, State of Kansas.

My Commission Expires: 8/16/08


Notary Public